

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
DIRECTOR
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: irvin@cncl.ci.detroit.mi.us

ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Director *ICJ*
Anne Marie Langan, Deputy Director *AML*

DATE: December 18, 2008

RE: Report on Gaming Tax Revenue through November 2008

For Council's review, the attached schedules present the gaming tax revenue activity through November 2008 and prior fiscal years.

The city collected \$17.56 million in gaming tax revenue in the fifth month of the fiscal year, which was 25% greater than the prior month of October. The November 2008 collection was a 24.1% decrease from November 2007. Comparing revenue collections between fiscal years, the first five months of FY 2008 reported \$79.94 million, compared with the first five months of FY 2009 reporting \$77.08 million, a 3.57% drop.

Adjusted gross casino gaming receipts came in at \$105.577 million for the month of November 2008. This represented a 4.93% decrease over the prior month and a 6.74% decrease over November of 2007. In a different comparison, the first five months of the current fiscal year compared with the same time period in the prior fiscal year shows that receipts are down by 0.28%. Chart 2A "Monthly Detroit Gaming Receipts" through a twelve-month moving average trend line shows growth of approximately 2.5% over the last twelve months, among the combined casino receipts. The first eleven months of the 2008 calendar year show growth in receipts of 2.84% over the first eleven months of 2007. This growth happens at the same time that Atlantic City revenue was down 6% for the first nine months of 2008, compared with 2007 and Las Vegas revenue was down 6.7% through the first eight months of 2008 compared with 2007. Las Vegas is projected to have its largest annual decline on record. In fact for the month of October, the Nevada Gaming Board reported that revenues at the state casinos fell by 22 percent compared with the prior year's October. Specifically on the Las Vegas strip, revenues were down by 26%. Washington State has reported a 30 percent drop in revenue over the prior year. Why the Detroit market would still have any positive revenue growth compared with other gaming markets including the two largest is very surprising.

There is not a one-to-one relationship between the adjusted gross receipts and the tax revenue collection increases due to two factors. First, there is the fact that MGM and Motor City casinos began paying the city 1% less because of the permanent casinos opening on October 3 and November 29 of 2007. This reduction to the city is part of state Public Act 306 of 2004, when the legislature amended Public Act 69 of 1997, which was the original casino gaming legislation. P.A. 306 increased the wagering tax by 6% of which 2% went to the City of Detroit. The caveat was that when the permanent casino had been certified by the state gaming board as having operated for 30 consecutive days, 5% of the 6% additional wagering tax would be eliminated, with the remaining 1% allocated to the city where the casino is being operated. Greektown will continue to pay the 6% additional wagering tax – 4% to the state, 2% to the city – until the permanent is open, which is scheduled for February 2009.

Second, the amended development agreement of August 2002 between the city and the casinos, which is separate from the state law, has all casinos, beginning in January 2006, paying an additional 1% over the state law, plus another 1% when the casino reaches \$400 million in gross receipts in a calendar year. For the third year in a row, due to MGM and Motor City reaching \$400 million in the calendar year, gaming tax collections will spike by \$10.5 million between September and December. MGM did reach \$400 million in early September, and should have transferred to the City the initial \$4.37 million of the additional 1% within 10 days as stipulated in the development agreement. It does not appear that the amended casino development agreement included any penalty for late remittance, which MGM unfortunately has taken advantage of every year. Motor City did reach \$400 million during the month of November and has consistently remitted the funds to the city within the proper timeframe as outlined in the development agreement. It is not projected that Greektown will reach that threshold.

The 2008-2009 budgeted revenue for gaming fees is \$194.78 million, a 0.8% increase over the 2007-2008 budget of \$193.25 million. Based on our regular monthly projections, the current analysis projects a deficit of \$9.2 million for this fiscal year. This projection assumes patterns will remain similar to recent years, so there may still be additional factors that may shift actual collections.

Attachments (9)

cc: Council Divisions
Auditor General
Joseph Harris, Chief Financial Officer
Pamela Scales, Budget Director
Renee Short, Budget Manager
Tanya Stoudemire, Finance - Project Administration
Arese Robinson, Mayor's Office

Chart 1

Monthly Comparison Detroit Gaming Tax Collections By Fiscal Year

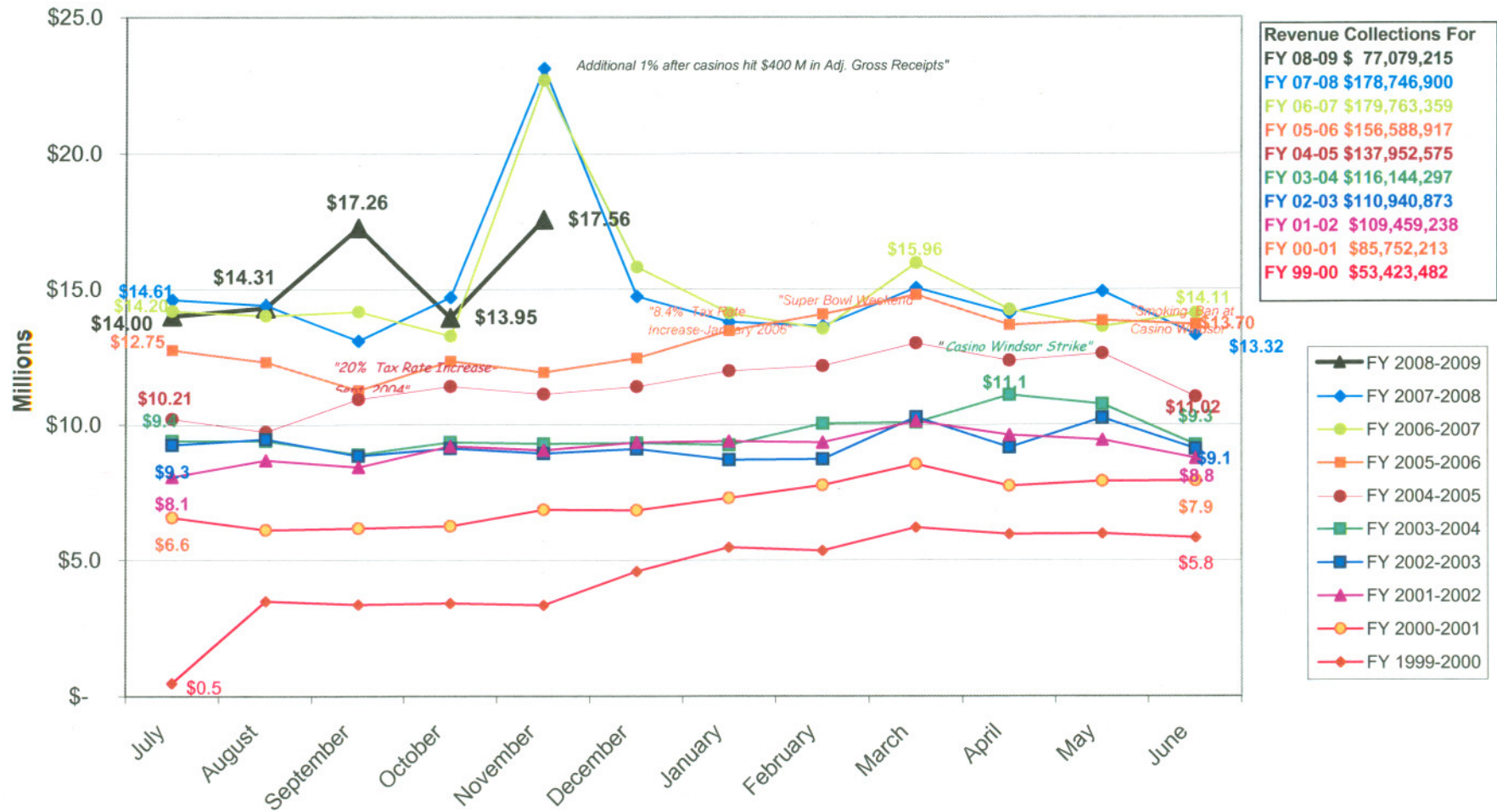


Chart1A

Monthly Comparison Adjusted Gross Casino Gaming Receipts By Fiscal Year

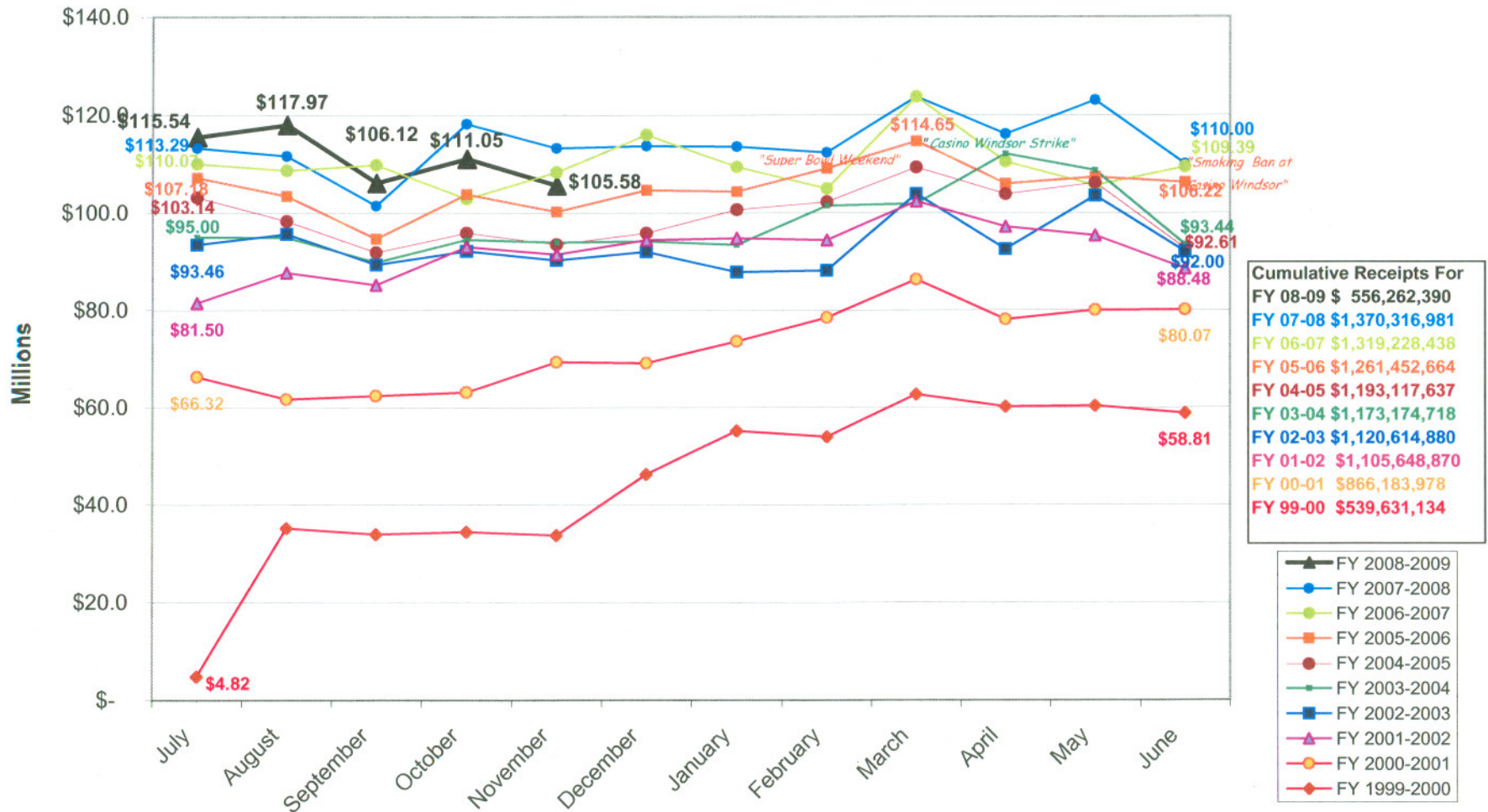


Chart 2

Monthly Detroit Gaming Tax Collections

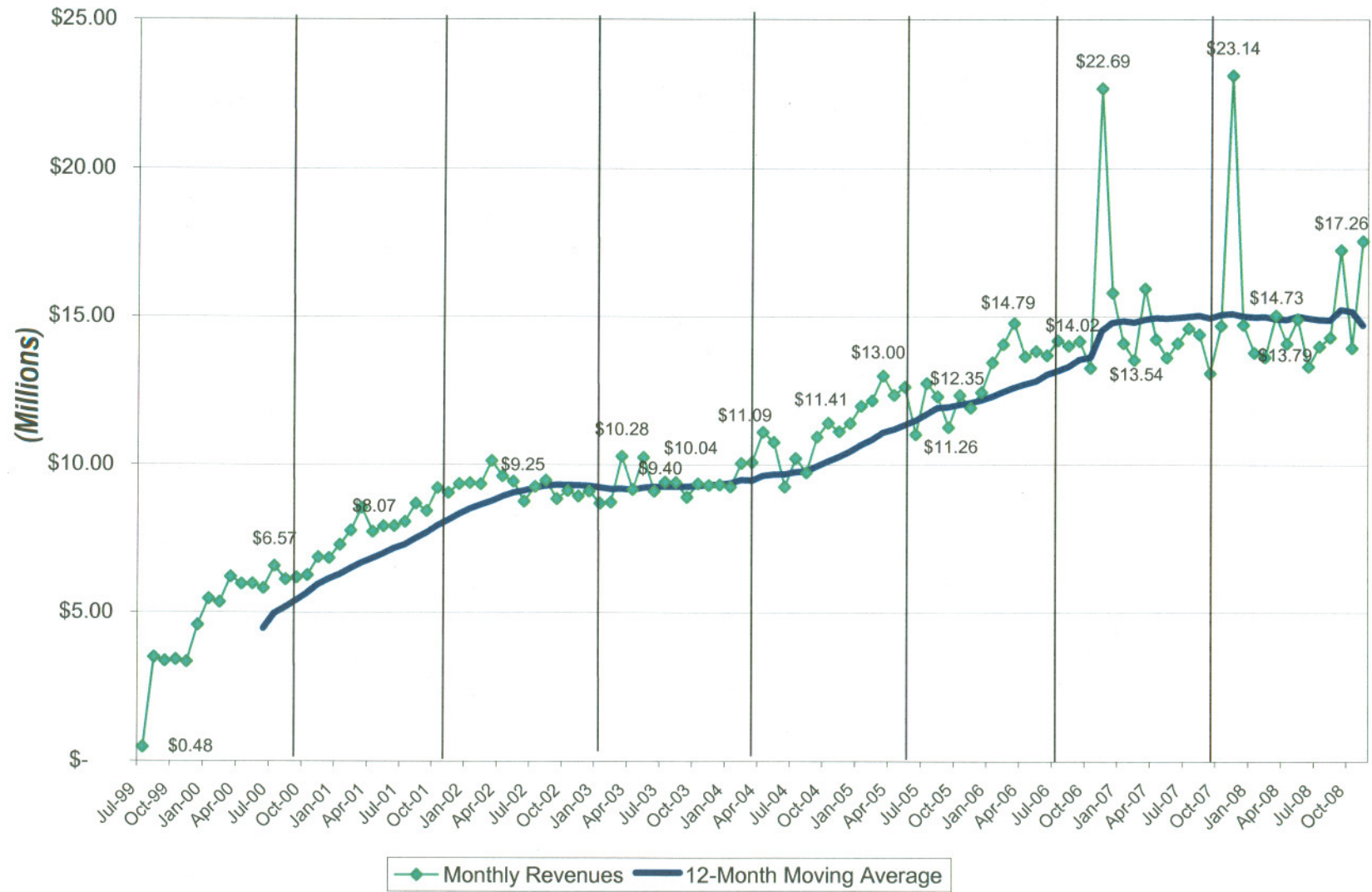


Chart 2A

Monthly Adjusted Gross Casino Gaming Receipts

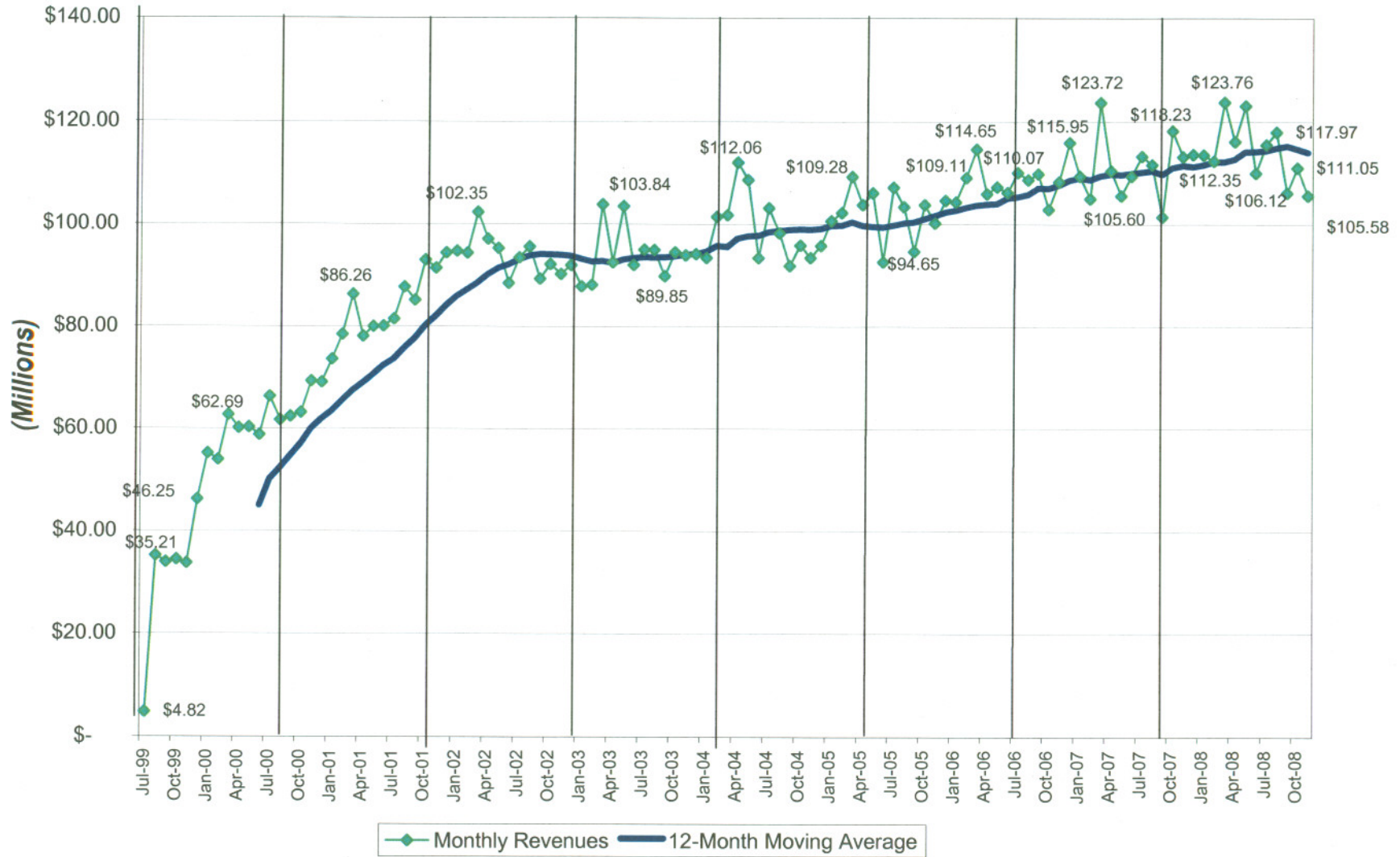


Chart 3

MGM Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

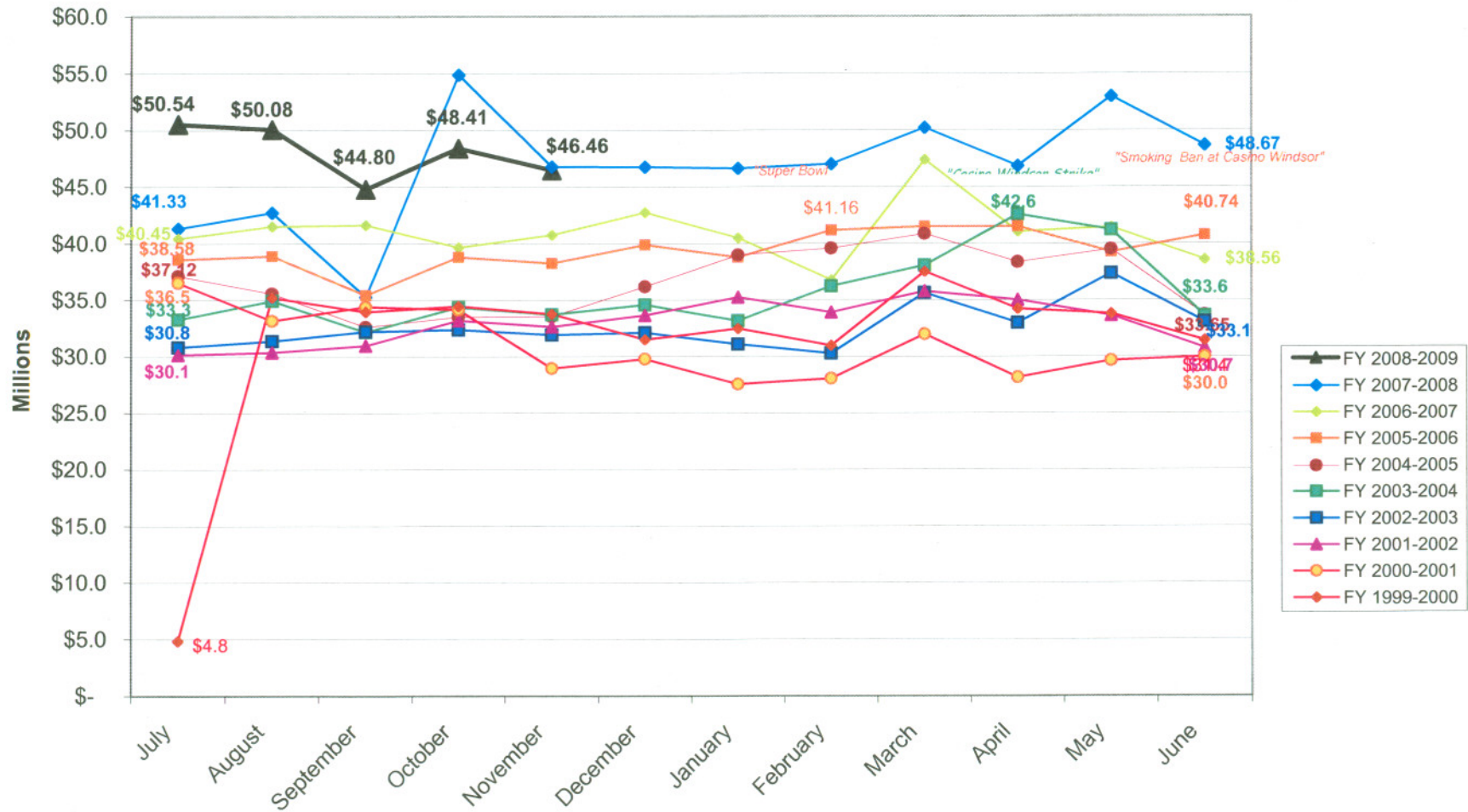


Chart 4

Motor City Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

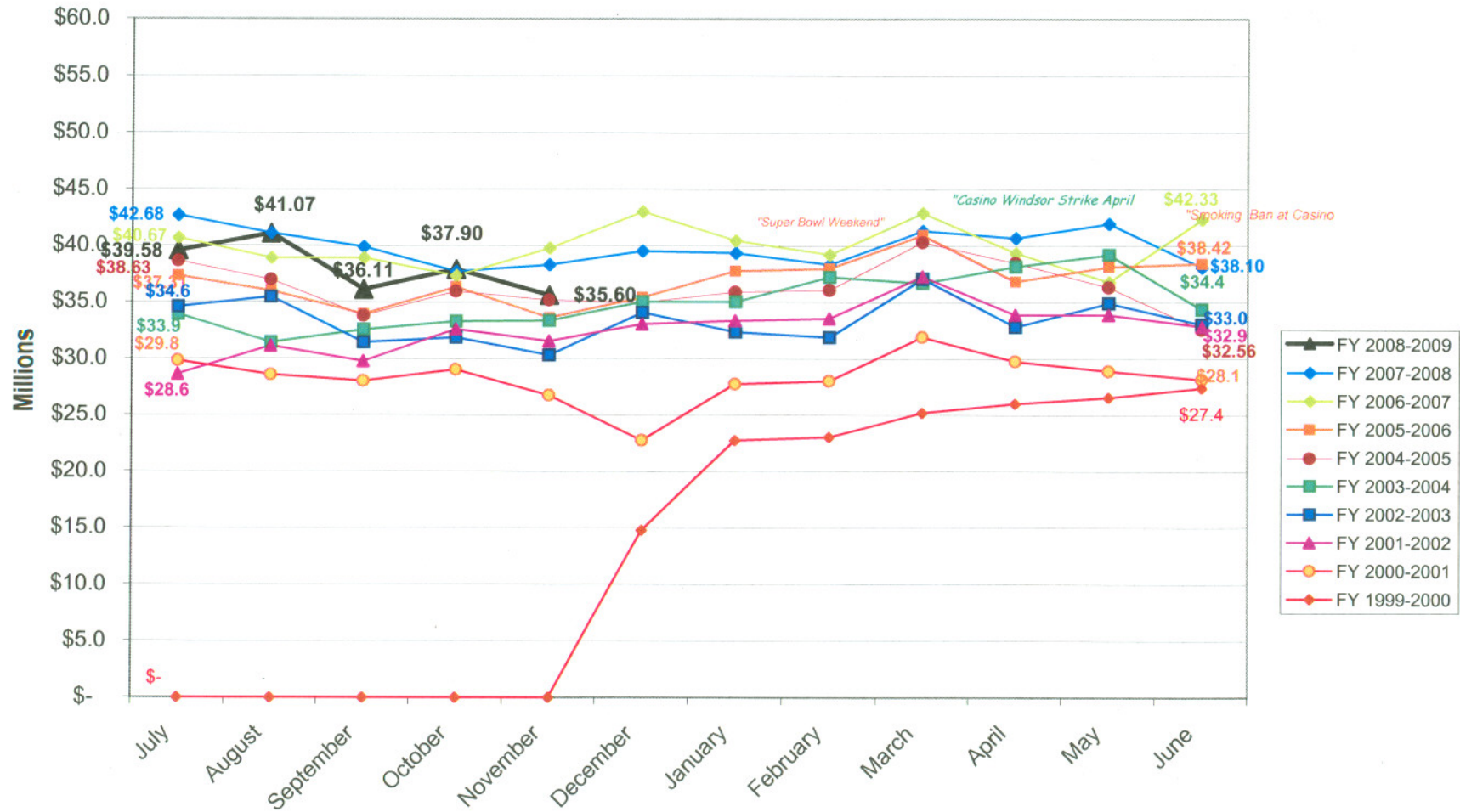


Chart 5

Greektown Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

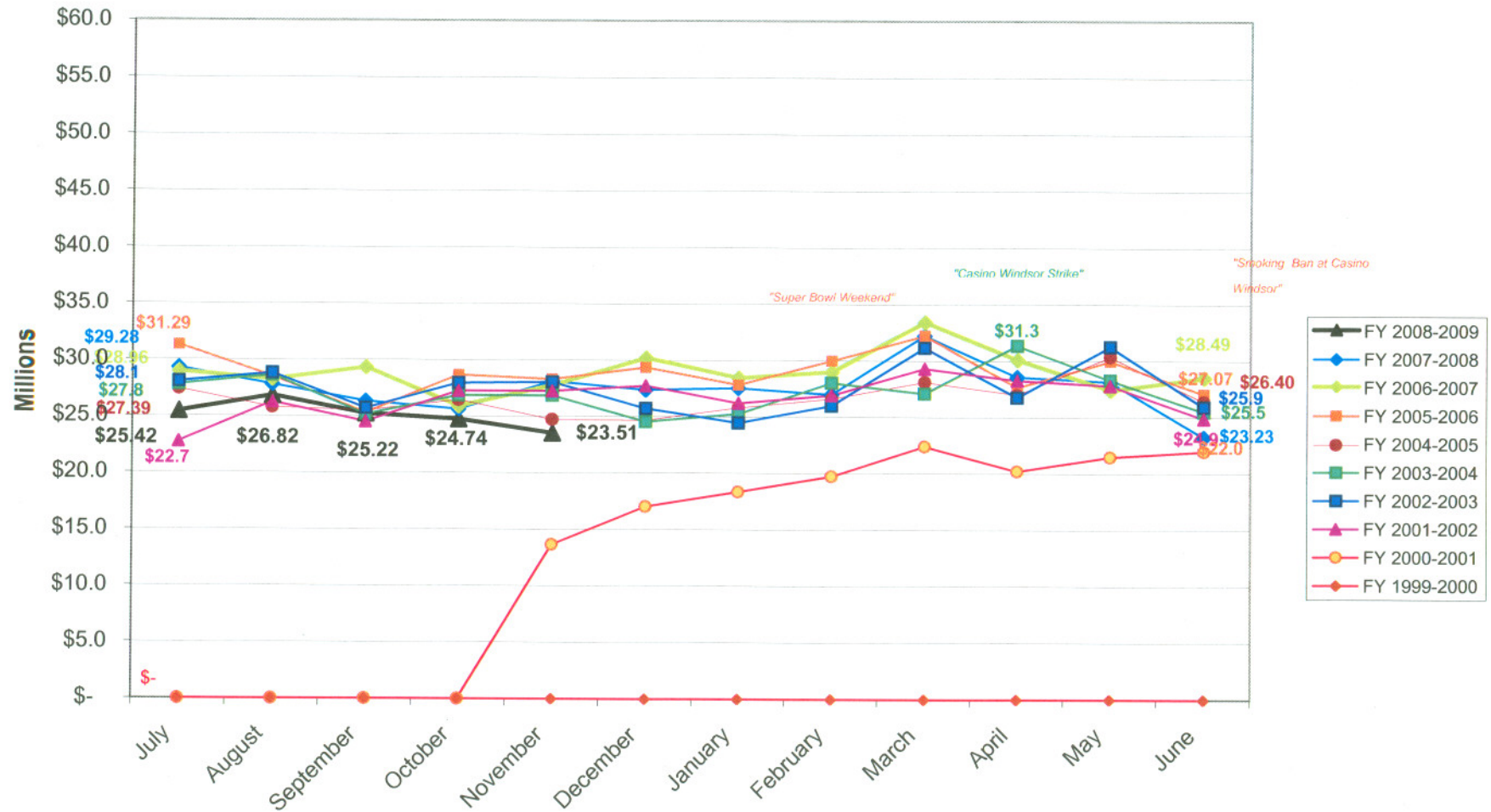


Table 1

Wagering Tax Proj - All Casinos

	Total Adjusted Gross Receipts	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts
	FY 99-00	FY 00-01			FY 01-02			FY 02-03			FY 03-04			FY 04-05
July	\$ 4,818,554.11	\$ 66,323,549.18	12.77%	1276.42%	\$ 81,496,908.67	1.78%	22.88%	\$ 93,464,344.37	5.63%	14.68%	\$ 94,996,882.60	3.26%	1.64%	\$ 103,137,181.92
August	\$ 35,206,963.97	\$ 61,725,994.28	-6.93%	75.32%	\$ 87,712,104.68	7.63%	42.10%	\$ 95,624,361.82	2.31%	9.02%	\$ 94,945,297.86	-0.05%	-0.71%	\$ 98,284,018.21
September	\$ 33,951,508.55	\$ 62,400,590.64	1.09%	83.79%	\$ 85,194,954.99	-2.87%	36.53%	\$ 89,330,627.77	-6.58%	4.85%	\$ 89,846,284.46	-5.37%	0.58%	\$ 91,879,662.05
October	\$ 34,457,655.34	\$ 63,154,788.42	1.21%	83.28%	\$ 93,009,539.88	9.17%	47.27%	\$ 92,160,878.71	3.17%	-0.91%	\$ 94,497,435.81	5.18%	2.54%	\$ 95,876,962.42
November	\$ 33,753,191.20	\$ 69,311,190.20	9.75%	105.35%	\$ 91,433,716.17	-1.69%	31.92%	\$ 90,243,781.15	-2.08%	-1.30%	\$ 93,902,353.28	-0.63%	4.05%	\$ 93,449,975.38
December	\$ 46,250,828.30	\$ 69,524,423.42	0.31%	50.32%	\$ 94,402,799.35	3.25%	35.78%	\$ 91,920,659.97	1.86%	-2.63%	\$ 94,143,405.98	0.26%	2.42%	\$ 95,793,618.31
January	\$ 55,200,849.45	\$ 73,592,001.56	5.85%	33.32%	\$ 94,761,814.26	0.38%	28.77%	\$ 87,887,493.44	-4.39%	-7.25%	\$ 93,418,339.78	-0.77%	6.29%	\$ 100,641,632.70
February	\$ 53,986,302.45	\$ 75,747,462.08	2.93%	40.31%	\$ 94,372,441.05	-0.41%	24.59%	\$ 88,132,675.16	0.28%	-6.61%	\$ 101,448,959.91	8.60%	15.11%	\$ 102,234,696.19
March	\$ 62,688,959.46	\$ 86,262,860.21	13.88%	37.60%	\$ 102,350,849.53	8.45%	18.65%	\$ 103,839,988.50	17.82%	1.45%	\$ 101,817,213.41	0.36%	-1.95%	\$ 109,276,275.06
April	\$ 60,187,608.42	\$ 78,094,868.65	-9.47%	29.75%	\$ 97,128,696.05	-5.10%	24.37%	\$ 92,518,292.64	-10.90%	-4.75%	\$ 112,058,689.00	10.06%	21.12%	\$ 103,817,060.60
May	\$ 60,316,238.91	\$ 79,973,338.46	2.41%	32.59%	\$ 95,300,333.75	-1.88%	19.17%	\$ 103,491,412.70	11.86%	8.60%	\$ 108,663,278.95	-3.03%	5.00%	\$ 106,113,250.65
June	\$ 58,812,474.03	\$ 80,072,911.35	0.12%	36.15%	\$ 88,484,712.03	-7.15%	10.51%	\$ 92,000,364.73	-11.10%	3.97%	\$ 93,436,577.00	-14.01%	1.56%	\$ 92,813,303.37
TOT RECEIPTS thru FY	\$ 539,631,134.19	\$ 866,183,978.45		60.51%	\$ 1,105,648,870.41		27.65%	\$ 1,120,614,880.96		1.35%	\$ 1,173,174,718.04		4.69%	\$ 1,193,117,636.86
Receipts thru Cal Yr.														
Wagering Tax - pre 9/2004 (State Law)	9.90%	9.90%			9.90%			9.90%			9.90%			9.90%
Wagering Tax - post 9/2004 (State Law)														11.90%
Wagering Tax - post 1/2006 (Dev. Agrmt)														
Add'l 1% after calendar year hits \$400 M (Dev. Agrmt)														
Wagering Tax - post 10/07 - 30 days after permanent opens (State Law)														
Wagering Tax FYTD	\$ 53,423,482.28	\$ 85,752,213.87			\$ 109,459,238.17			\$ 110,940,873.22			\$ 116,144,297.09			\$ 137,952,574.78
Add'l 1% after calendar year hits \$400M during calendar year (Dev Agrmt)														
Total FYTD														
First 5 Months Receipts	\$ 142,187,873.17	\$ 322,916,112.72		127.11%	\$ 438,847,224.39		35.90%	\$ 460,823,993.82		5.01%	\$ 468,188,254.01		1.60%	\$ 482,627,799.98
Last 7 Months Ratio of first 5 months to last 7 months	\$ 397,443,261.02	\$ 543,267,865.73			\$ 666,801,646.02			\$ 659,790,887.14			\$ 704,986,464.03			\$ 710,489,836.88
	279.52%	168.24%			151.94%			143.18%			150.58%			147.21%
est. last 7 months of fiscal year est. annual collection inc. over prev. yr.														
Estimated wagering tax														
Budget	\$ 51,500,000.00	\$ 80,700,000.00		56.70%	\$ 95,800,000.00		18.71%	\$ 105,000,000.00		9.60%	\$ 110,000,000.00		4.76%	\$ 117,600,000.00
Surplus/Deficit	\$ 1,923,482.28	\$ 5,052,213.87		162.66%	\$ 13,659,238.17		170.36%	\$ 5,940,873.22		-56.51%	\$ 6,144,297.09		3.42%	\$ 20,352,574.78
Add'l 1% after \$400M														
Adjusted Surplus/Deficit														

Table 1

Wagering Tax Proj - All Casinos

	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year
			FY 05-06			FY 06-07			FY 07-08			FY 08-09		
July	10.38%	8.57%	\$ 107,183,066.76	15.73%	3.92%	\$ 110,072,837.97	3.63%	2.70%	\$ 113,292,228.60	3.57%	2.92%	\$ 115,539,885.15	5.04%	1.98%
August	-4.71%	3.52%	\$ 103,404,489.92	-3.53%	5.21%	\$ 108,670,718.41	-1.27%	5.09%	\$ 111,638,470.47	-1.46%	2.73%	\$ 117,966,649.27	2.10%	5.67%
September	-6.52%	2.26%	\$ 94,646,506.32	-8.47%	3.01%	\$ 109,837,729.27	1.07%	16.05%	\$ 101,472,179.99	-9.11%	-7.62%	\$ 106,123,890.39	-10.04%	4.58%
October	4.35%	1.46%	\$ 103,785,884.07	9.66%	8.25%	\$ 102,879,908.44	-6.33%	-0.87%	\$ 118,232,375.81	16.52%	14.92%	\$ 111,054,369.91	4.65%	-6.07%
November	-2.53%	-0.48%	\$ 100,200,007.05	-3.46%	7.22%	\$ 108,282,401.97	5.25%	8.07%	\$ 113,205,571.06	-4.25%	4.55%	\$ 105,577,595.23	-4.93%	-6.74%
December	2.51%	1.75%	\$ 104,627,713.94	4.42%	9.22%	\$ 115,954,230.89	7.09%	10.83%	\$ 113,644,454.00	0.39%	-1.99%	\$ -	-100.00%	-100.00%
January	5.06%	7.73%	\$ 104,344,788.88	-0.27%	3.68%	\$ 109,395,456.08	-5.66%	4.84%	\$ 113,538,879.23	-0.09%	3.79%	\$ -	#DIV/0!	-100.00%
February	1.58%	0.77%	\$ 109,110,654.88	4.57%	6.73%	\$ 104,978,178.00	-4.04%	-3.79%	\$ 112,348,111.49	-1.05%	7.02%	\$ -	#DIV/0!	-100.00%
March	6.89%	7.33%	\$ 114,646,495.31	5.07%	4.91%	\$ 123,724,595.76	17.86%	7.92%	\$ 123,755,237.80	10.15%	0.02%	\$ -	#DIV/0!	-100.00%
April	-5.00%	-7.35%	\$ 105,961,980.53	-7.58%	2.07%	\$ 110,447,576.58	-10.73%	4.23%	\$ 116,140,232.49	-6.15%	5.15%	\$ -	#DIV/0!	-100.00%
May	2.21%	-2.35%	\$ 107,320,342.18	1.28%	1.14%	\$ 105,599,379.09	-4.39%	-1.60%	\$ 123,052,907.87	5.95%	16.53%	\$ -	#DIV/0!	-100.00%
June	-12.72%	-0.88%	\$ 106,220,734.54	-1.02%	14.69%	\$ 109,385,425.87	3.59%	2.98%	\$ 109,996,332.91	-10.61%	0.56%	\$ -	#DIV/0!	-100.00%
TOT RECEIPTS thru FY		1.70%	\$ 1,261,452,664.38		5.73%	\$ 1,319,228,438.33		4.58%	\$ 1,370,316,981.72			\$ 556,262,389.95		
Receipts thru Cal Yr.									\$ 993,695,395.73			\$ 962,677,801.63		
Wagering Tax - pre 9/2004 (State Law)														
Wagering Tax - post 9/2004 (State Law)			11.90%											
Wagering Tax - post 1/2006 (Dev. Agrmt)			12.90%			12.90%			12.90%			12.90%		
Add 1% after calendar year hits \$400 M (Dev. Agrmt)						1.00%			1.00%			1.00%		
Wagering Tax - post 10/07 - 30 days after permanent opens (State Law)									11.90%			11.90%		
Wagering Tax FYTD		18.78%	\$ 156,588,917.02		13.51%	\$ 170,180,468.54			\$ 168,809,946.93			\$ 67,452,436.51		
Add 1% after casino reaches \$400M during calendar year (Dev Agrmt)						\$ 9,582,890.79			\$ 9,936,953.96			\$ 9,626,778.02		
Total FYTD						\$ 179,763,359.33			\$ 178,746,900.89		-0.57%	\$ 77,079,214.53		
First 5 Month's Receipts		3.08%	\$ 509,219,954.12		5.51%	\$ 539,743,596.06		5.99%	\$ 557,840,825.93		3.35%	\$ 556,262,389.95		-0.28%
Last 7 Months			\$ 752,232,710.26			\$ 779,484,842.27			\$ 812,476,155.79					
Ratio of first 5 months to last 7 months			147.72%			144.42%			145.65%		4 year avg.	146.25%		4 year avg.
est. last 7 months of fiscal year est. annual collection inc. over prev. yr.												\$ 815,315,753.00		
Estimated wagering tax												\$ 175,093,301.14		
Budget		6.91%	\$ 153,000,000.00		30.10%	\$ 184,850,000.00		20.82%	\$ 193,248,000.00		4.54%	\$ 194,780,000.00		0.79%
Surplus/Deficit		231.24%	\$ 3,588,917.02			\$ (5,086,640.67)			\$ (14,501,099.11)			\$ (19,686,698.86)		
Add 1% after \$400M												\$ 10,447,000.00		
Adjusted Surplus/Deficit												\$ (9,239,698.86)		